

35th District Courthouse Authority

**Financial Report
with Supplemental Information
December 31, 2007**

35th District Courthouse Authority

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Independent Auditor's Report

To the Board of Directors
35th District Courthouse Authority

We have audited the accompanying financial statements of 35th District Courthouse Authority, including 35th District Courthouse Authority's individual governmental funds and the statement of net assets and statement of activities, as listed in the table of contents. These financial statements are the responsibility of 35th District Courthouse Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and changes in financial position of 35th District Courthouse Authority, including its individual funds and 35th District Courthouse Authority as a whole for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

June 5, 2008

35th District Courthouse Authority

Management's Discussion and Analysis

Using this Annual Report

This annual report includes a management's discussion and analysis, a series of financial statements, and supplemental information for fiscal year 2007. The financial statements provide information about the activities of the Courthouse Authority as a whole and present a longer-term view of the Authority's finances. The financial report also includes notes that explain some of the operations in more detail than the government-wide reports. The basic financial statements include information that presents two different views of the Authority:

The financial statements include information about the Court's General Fund under the modified accrual method. This fund's financial statements focus on current financial resources.

The adjustment column of the financial statements represents adjustments necessary to convert the fund's financial statements to the government-wide financial statements on the full accrual basis.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

	December 31	
	2007	2006
Assets - Current assets	\$ 6,310,336	\$ 6,427,124
Liabilities		
Current liabilities	10,786	13,156
Other noncurrent liabilities	3,145,327	3,352,436
Total liabilities	3,156,113	3,365,592
Net Assets		
Invested in capital assets - Net of related debt	2,914,893	2,913,434
Unrestricted	239,330	148,098
Total net assets	<u>\$ 3,154,223</u>	<u>\$ 3,061,532</u>

35th District Courthouse Authority

Management's Discussion and Analysis (Continued)

The Courthouse Authority as a Whole

	Year Ended December 31	
	2007	2006
Revenue	\$ 633,084	\$ 792,457
Expenditures	540,393	655,018
Changes in Fund Balance/Net Assets	92,691	137,439
Fund Balance/Net Assets - Beginning of year	3,061,532	2,924,093
Fund Balance/Net Assets - End of year	<u>\$ 3,154,223</u>	<u>\$ 3,061,532</u>

The 35th Judicial Courthouse Authority does not actually receive revenue from any of the five communities that make up the Funding Unit as required by the court rule. Revenues are generated from the lease of the courthouse to the 35th District Court.

Court Budgetary Highlights

Fiscal year 2007 expenses were recorded under budget approximately 22 percent due to monitoring expenses by management.

Capital Assets and Debt Administration

During 2007, continual monitoring of the market by administration warranted refunding the 1999 Building Authority Bonds dated March 1, 1999. The savings over the life of the bonds will be \$94,738.

Economic Factors for Next Year's Budget

A reduction in revenues and expenditures will be a direct result of the refunding of the original bonds purchased to rebuild the courthouse.

There will be a need to replace one of the vehicles for work detail program; an expense of \$23,000 has been added to the 2008 budget to reflect the purchase.

The Court's administrative team continually reviews contracts and daily expenses to assist in reducing expenses.

35th District Courthouse Authority

Management's Discussion and Analysis (Continued)

Contacting the Court Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Court's finances and to show the Court's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Court's administrator.

35th District Courthouse Authority

Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2007

	Individual Funds - Modified Accrual Basis			Statement of Net Assets - Full Accrual Basis
	General Fund	Debt Service Fund	Total	
Assets				
Due from State of Michigan 35th Judicial District Court	\$ 166,254	\$ -	\$ 166,254	\$ -
Unamortized bond issuance costs	-	-	-	39,189
Capital assets - Net of depreciation (Note 4)	-	-	-	6,104,893
Total assets	<u>\$ 166,254</u>	<u>\$ -</u>	<u>\$ 166,254</u>	6,144,082
Liabilities				
Accrued interest payable	\$ -	\$ -	\$ -	10,786
Long-term debt (Note 5):				
Due within one year	-	-	-	205,939
Due in more than one year	-	-	-	2,939,388
Total liabilities	-	-	-	3,156,113
Fund Balance - Unrestricted	<u>166,254</u>	<u>-</u>	<u>166,254</u>	
Total liabilities and fund balance	<u>\$ 166,254</u>	<u>\$ -</u>	<u>\$ 166,254</u>	
Net Assets				
Invested in capital assets - Net of related debt				2,914,893
Unrestricted				73,076
Total net assets				<u>\$ 2,987,969</u>

35th District Courthouse Authority

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2007

Individual Funds - Modified Accrual Basis					
	General Fund	Debt Service Fund	Total	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full Accrual Basis
Revenue					
Base rental revenue (Note 7)	\$ 242,033	\$ 342,164	\$ 584,197	\$ -	\$ 584,197
Additional rental revenue (Note 7)	48,887	-	48,887	-	48,887
Total revenue	290,920	342,164	633,084	-	633,084
Expenditures					
Utilities	107,618	-	107,618	-	107,618
Building maintenance	112,997	-	112,997	-	112,997
Insurance	21,418	-	21,418	-	21,418
Capital outlay	43,887	-	43,887	(28,032)	15,855
Depreciation and amortization	-	-	-	194,196	194,196
Debt service	-	290,678	290,678	(202,369)	88,309
Total expenditures	285,920	290,678	576,598	(36,205)	540,393
Excess of Revenue Over Expenditures	5,000	51,486	56,486	36,205	92,691
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	-	3,190,000	3,190,000	(3,190,000)	-
Bond issuance costs	-	(42,752)	(42,752)	42,752	-
Amounts on deposit with escrow agent	-	(3,198,734)	(3,198,734)	3,198,734	-
Total other financing sources (uses)	-	(51,486)	(51,486)	51,486	-
Change in Fund Balance/Net Assets	5,000	-	5,000	87,691	92,691
Fund Balance/Net Assets - Beginning of year	161,254	-	161,254	2,900,278	3,061,532
Fund Balance/Net Assets - End of year	<u>\$ 166,254</u>	<u>\$ -</u>	<u>\$ 166,254</u>	<u>\$ 2,987,969</u>	<u>\$ 3,154,223</u>

35th District Courthouse Authority

Notes to Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies

The 35th District Courthouse Authority (the "DCA") was established in 1989 upon approval of an interlocal agreement by and among the DCA member District Control Units pursuant to the provisions of the Urban Cooperations Act, Act No. 7 of the Michigan Public Acts of 1967, as amended. The member District Control Units include the cities of Northville and Plymouth and the charter townships of Canton, Plymouth, and Northville. One purpose of the DCA is to establish a joint entity to lease, acquire, own, operate, and dispose of the courthouse building occupied by the State of Michigan 35th Judicial District Court (the "Court") for the mutual use and benefit of the District Control Units, who are also members of the Court. The DCA is comprised of a five-member board of directors consisting of one representative from each member city or township.

The accounting policies of the DCA conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

35th Judicial District Building Authority (the "Building Authority") was established on December 7, 1998 and is governed by a five-member board consisting of one representative from each member city or township. The Building Authority is legally separate from 35th District Courthouse Authority; its primary purpose is to finance the courthouse building. The Building Authority's operations consist of the issuance and repayment of debt which is recorded in the appropriate DCA fund. The financial statements of the Building Authority are blended into the financial statements of the DCA. The assets of the Building Authority held for payment and administration of outstanding bond issues and other related debt are reported in the Debt Service Fund.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The DCA's basic financial statements include both the DCA's full accrual financial statements and modified accrual financial statements.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which are described below:

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The DCA has elected not to follow public sector standards issued after November 30, 1989 for its full accrual activities.

Modified Accrual Financial Statements

The DCA's modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which is described below.

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the DCA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the DCA.

The accounts of the DCA are organized on the basis of funds, each of which is considered a separate accounting entity.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the DCA. These activities are supported by rental and other revenue received from the State of Michigan's 35th Judicial District Court.

Debt Service Fund - The Debt Service Fund is used to account for payments of principal, interest, and expenses in conjunction with the bond issued for construction of the courthouse building.

Financial Statement Amounts

Capital Assets - All assets with an estimated useful life in excess of two years are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and equipment	7 years
Computer equipment	3-5 years
Vehicles	5 years
Building improvements	25 years
Buildings	50 years

Long-term Obligations - In the government-wide financial statements, long-term debt and capital leases are reported as liabilities in the governmental activities statement of net assets.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2007

Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements

The governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance of the Court's General Fund differ from the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the current focus of the General Fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The statement of net assets includes the capital assets, unamortized bond issuance costs, accrued interest expense, and bonded debt associated with the construction of the courthouse. The statement of activities includes the reduction of capital outlay for assets capitalized, depreciation expense related to those assets, reduction of debt service expense for principal payments made on the debt, recognition of accrued interest expense, proceeds from issuance of long-term debt, and amounts on deposit with an escrow agent.

Note 3 - Budget Information

The annual budget is prepared by the judges of the Court and the court administrator and adopted by the DCA; subsequent amendments are approved by the DCA. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2007 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that proceeds from the issuance of debt have been netted against the capital outlay expenditures, rather than as an other financing source.

The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a fund basis. A comparison of actual results of operations to the General Fund budget as adopted by the DCA is included in the required supplemental information at the line-item level. This comparison includes expenditure budget overruns.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2007

Note 4 - Capital Assets

A summary of changes in general fixed assets is as follows:

	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
Governmental Activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 518,620	\$ 460	\$ -	\$ 519,080
Computer equipment	339,723	25,135	555	364,303
Vehicles	42,448	-	-	42,448
Building improvements	52,255	-	-	52,255
Buildings	<u>7,704,968</u>	<u>-</u>	<u>-</u>	<u>7,704,968</u>
Subtotal	8,658,014	25,595	555	8,683,054
Accumulated depreciation	<u>(2,392,144)</u>	<u>(186,572)</u>	<u>(555)</u>	<u>(2,578,161)</u>
Net capital assets	<u>\$ 6,265,870</u>	<u>\$ (160,977)</u>	<u>\$ -</u>	<u>\$ 6,104,893</u>

Note 5 - Long-term Debt

Advance and Current Refundings - During the year, the District Courthouse Authority issued \$3,190,000 in general obligation refunding bonds with an average interest rate of 4.09 percent. The proceeds of these bonds were used to advance refund \$3,150,000 of the outstanding 1999 Building Authority Bonds with an average interest rate of 4.84 percent. The net proceeds of \$3,147,248 (after payment of \$42,752 in underwriting fees, insurance, and other net issuance costs) plus an additional \$51,486 of Court monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the government-wide statement of net assets. The advance refunding reduced total debt service payments over the next 11 years by approximately \$119,840, which represents an economic gain of \$94,738.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2007

Note 5 - Long-term Debt (Continued)

The following is a schedule of long-term debt outstanding as of December 31, 2007:

	Interest Rate Ranges	Principal Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Capital lease payable - Server	0.62%	2007	\$ 1,729	\$ -	\$ 1,729	\$ -	\$ -
Capital lease payable - Software	13.71%	2007	707	-	707	-	-
Bonds payable - 1999 General Obligation Bonds, original issue of \$4,250,000	4.20%-5.00%	2007	3,350,000	-	3,350,000	-	-
Bonds payable - 2007 General Obligation Bonds, original issue of \$3,190,000	4.00%-4.25%	2018	-	3,190,000	-	3,190,000	210,000
Deferred charge on refunding			-	(48,734)	(4,061)	(44,673)	(4,061)
Total governmental activities			<u>\$ 3,352,436</u>	<u>\$ 3,141,266</u>	<u>\$ 3,348,375</u>	<u>\$ 3,145,327</u>	<u>\$ 205,939</u>

The annual requirements to service all debt outstanding as of December 31, 2007, including both principal and interest, are as follows:

	Governmental-type Activities		
	Principal	Interest	Total
2008	\$ 210,000	\$ 125,238	\$ 335,238
2009	210,000	116,838	326,838
2010	210,000	108,438	318,438
2011	310,000	98,038	408,038
2012	305,000	85,738	390,738
2013-2017	1,555,000	245,259	1,800,259
2018-2022	390,000	8,288	398,288
Total	<u>\$ 3,190,000</u>	<u>\$ 787,837</u>	<u>\$ 3,977,837</u>

Note 6 - Risk Management

The DCA is exposed to various risks of loss pertaining to property loss and torts. The DCA has purchased commercial insurance for these claims. Settled claims related to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

35th District Courthouse Authority

Notes to Financial Statements December 31, 2007

Note 7 - Rental Revenue

The Building Authority leased the courthouse building to State of Michigan 35th Judicial District Court under an operating lease. The total rental revenue, including utilities, maintenance, and insurance, amounted to \$584,197 for the year ended December 31, 2007.

In addition, during the year ended December 31, 2007, the DCA received \$48,887 from the Court representing funding for various current and future capital outlay expenditures. This amount was recorded by the DCA as additional rental revenue.

Required Supplemental Information

35th District Courthouse Authority

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variances with Amended Budget
Revenue				
Base rental revenue	\$ 262,000	\$ 250,000	\$ 242,033	\$ (7,967)
Additional rental revenue	61,200	61,200	48,887	(12,313)
Total revenue	323,200	311,200	290,920	(20,280)
Expenditures				
Utilities	112,000	105,000	107,618	(2,618)
Building maintenance	106,000	101,000	112,997	(11,997)
Insurance	44,000	44,000	21,418	22,582
Capital outlay	56,200	56,200	43,887	12,313
Total expenditures	318,200	306,200	285,920	20,280
Excess of Revenue Over Expenditures	5,000	5,000	5,000	-
Fund Balance - Beginning of year	161,254	161,254	161,254	-
Fund Balance - End of year	<u>\$ 166,254</u>	<u>\$ 166,254</u>	<u>\$ 166,254</u>	<u>\$ -</u>

The Authority's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

**State of Michigan
35th Judicial District Court
and
35th District Courthouse Authority**

**Report to the Board Members
December 31, 2007**



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To the Judges
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority

We have recently completed our audit of the basic financial statements of the 35th Judicial District Court (the "Court") and the 35th District Courthouse Authority (the "Courthouse Authority") for the year ended December 31, 2007. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, and recommendations :

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We are grateful for the opportunity to be of service to the 35th Judicial District Court and the 35th District Courthouse Authority. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

June 5, 2008

June 5, 2008

To the Honorable Ronald W. Lowe,
Honorable John E. MacDonald, and
Honorable Michael J. Gerou
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority
660 Plymouth Road
Plymouth, MI 48170

Dear Judges:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Court's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Court as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Court's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal controls over financial reporting that we consider to be material weaknesses.

To the Honorable Ronald W. Lowe,
Honorable John E. MacDonald, and
Honorable Michael J. Gerou
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the following to be significant deficiencies in internal control:

- The controller's journal entries are not being reviewed by another individual before they are posted into the general ledger. In addition, financial statements are not reviewed regularly by either management or the board. An individual should be identified to review and sign off on the journal entries prepared by the controller, and financial statements should be provided to management and the board for their review on a quarterly basis at a minimum.
- At the time we received the download of the trial balance for year-end testing, it was noted the individual funds were not in balance, nor did the trial balance, balance in total. Journal entries were initiated by the auditors in order for the individual funds to balance. After these journal entries were made, the trial balance was still out of balance in total due to an error in the accounting system. The controller contacted the accounting system vendor to inquire how to correct the problem. The Court should perform a more thorough review of the trial balance throughout the year and at year end in order to ensure each fund is in balance.
- The controller currently has the ability to make all general journal entries in the computer, write checks, make all payroll adjustments to the payroll service, and initiate all transfers with the bank. In order to have stronger internal controls, the recordkeeping function should be separated from the custody function. The Court should consider separating those two functions.
- Bank reconciliations were not consistently prepared on a timely basis, nor reviewed by an individual separate from the accounting function.
- Bond and trust listings were not reconciled to the general ledger throughout the year, and an audit adjustment was required.

To the Honorable Ronald W. Lowe,
Honorable John E. MacDonald, and
Honorable Michael J. Gerou
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the following deficiency to be a material weakness:

- Several material journal entries were initiated by the auditors. These entries had to be posted in order for the financial statements to be in compliance with generally accepted accounting principles.

To the Board Members
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority

We have audited the financial statements of the State of Michigan 35th Judicial District Court and 35th District Courthouse Authority for the year ended December 31, 2007 and have issued our report thereon dated June 5, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 15, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the State of Michigan 35th Judicial District Court and 35th District Courthouse Authority. Our consideration of internal controls was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated April 14, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the State of Michigan 35th Judicial District Court and 35th District Courthouse Authority are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007.

To the Board Members
State of Michigan 35th Judicial District Court
and 35th District Courthouse Authority

We noted no transactions entered into by the 35th District Courthouse Authority during the year for which there is a lack of authoritative guidance or consensus. Related to the State of Michigan 35th Judicial District Court, we noted one such instance. The Court's policy in the past has been to record an expenditure (and liability) for employee sick and vacation pay. Our understanding is that you intend to do this as a means of allocating this cost to the periods that the services have been rendered, and to enable you to charge the communities at the time and for the amount of their current participation in the Court. The issue is that under generally accepted accounting principles, employee compensated absences are not to be recorded at the fund level until they come due for payment. However, as auditors, we view your stated goal of charging member communities currently for the cost of sick and vacation pay as appropriate. Alternatively, you might have viewed this charge as having occurred prior to earning the right to it (if sick and vacation pay had not been counted), which therefore would have allowed this to be reported as deferred revenue (a liability account also). Therefore, as auditors, we have accepted the Court's position that the recording of sick and vacation pay costs in this instance results in an equivalent position as if it had followed generally accepted accounting principles more rigorously but had chosen to bill ahead for employee compensated absences.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. All misstatements identified during the audit have been corrected by management. Several misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The material journal entries were as follows:

- Appropriate recording of the transactions resulting from the refunding of the debt
- Appropriately record cash and the interfund balances as of the end of the year

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- In aggregate, the journal entries relating to appropriately stating beginning fund balances, recognition of the third quarter payment to the communities during the 2007 year, and adjusting the bond and trust liabilities to agree to the subsidiary ledger

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated June 5, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the Court, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Court, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Court's auditors.

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This information is intended solely for the use of the board of trustees and management of the State of Michigan 35th Judicial District Court and 35th District Courthouse Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "David Helisek". The script is cursive and fluid.

David H. Helisek

A handwritten signature in black ink, appearing to read "Wendy Trumbull". The script is cursive and fluid.

Wendy N. Trumbull

Other Recommendations

35th Judicial District Court and 35th District Court Courthouse Authority

Other Recommendations

In addition to the items stated above in the report on internal control, we have identified additional matters that we would like to communicate as a result of our audit. These matters are not considered to be significant deficiencies or material weaknesses.

Outstanding Checks

As described in prior years, it was noted that there are still a number of old outstanding checks on the bank reconciliations. It is our understanding that the escheating process began in the prior year and has continued throughout this year. We would like to commend the Court for ongoing with this process and would like to encourage continuation with its efforts in “cleaning up” the bank reconciliations.

Bond Receipts > \$10,000

It was noted during the audit that the client had received five receipts greater than \$10,000. The IRS requires a Form 8300 to be filed with each individual transaction where more than \$10,000 is received, or in two or more related transactions that result in receipt > \$10,000. This form must be filed by the 15th day after the date the cash was received. It is our understanding that the Form 8300 was not filed due to lack of communication. We would encourage the Court to implement a process whereby the appropriate people are informed when the Court receives large individual transactions.

Capital Asset Inventory

It was noted through discussion with the controller that a thorough fixed asset inventory was conducted during the time of the audit, FY ending 2008. The Court should agree its current fixed asset listing to the newly updated inventory records to ensure the most up-to-date fixed asset records are being kept.

We would like to thank you and your staff, particularly Debra Kubitskey and Pam Avdoulos, for the courtesy and cooperation extended to us during the course of our audit. If you have any further questions regarding the above comments or would like assistance in their implementation, please feel free to contact us.